

Regulatory Story

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CELTIC plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2011

SUMMARY OF THE RESULTS

Operational and Financial Highlights

- Winners of the SFA Scottish Cup.
- Runners up in the SPL and League Cup.
- Appointment of Neil Lennon as Celtic football manager.
- Two home European matches (2010: 5).
- Group revenue £52.56m (2010: £61.72m).
- Investment in football personnel of £10.29m (2010: £13.64m).
- 51 international players between U15 and senior levels.
- Year-end net bank debt of £0.53m (2010: £5.85m).
- Profit before taxation of £0.10m (2010: £2.13m loss).
- Operating expenses before exceptional items £52.50m (2010: £57.25m).
- Profit from trading before asset transactions and exceptional items of £56,000 (2010: £4.46m).
- Exceptional costs of £3.99m (2010: £3.14m)

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This annual statement, my last as Chairman, provides the opportunity to reflect on a year of major transition and substantial progress on the pitch, consolidation and stability within the business and the return of a solidarity between the team, the Club and its supporters. These took us to victory in the Scottish Cup and within a whisker of the SPL title.

As indicated in my interim report, the past year was not without its challenges. Football was not any more immune from the recession than any other activity. Our participation in Europe was short-lived, playing only 2 home games rather than the 5 of the preceding year. Those challenging economic conditions and the poor football performance in season 2009/10 undoubtedly had a detrimental effect on our revenues. Turnover decreased by 14.8% to £52.56m, affected by the reduction in European matches and the ticket and broadcasting revenues that they generate, and a decline in merchandising sales in a difficult retail market.

Against this background the achievements of everyone at the Club - management, staff and our faithful supporters - appear even more outstanding. To achieve and maintain financial stability, and attain a very manageable debt position, while continuing to invest significantly in strengthening the football squad and generate profit in the football sector in Scotland in these conditions is highly commendable. And yet as our Annual Report shows, as a result of these efforts and our activity in the transfer market we managed to turn last year's loss into break-even, to reduce our debt considerably and still invest a substantial amount in new players.

Operating expenses were reduced again, by £4.75m to £52.51m reflecting lower match and travel costs, reduced cost of sales and smaller labour costs.

Our profit on ordinary activities before taxation of £102,000 is small, but a significant improvement on the loss of £2.13m for the same measure the year before.

Our year end net bank debt - being all our bank borrowings offset by cash - of £530,000 is massively down on the half-year figure we reported (£9.09m) and substantially down on the £5.85m at 30 June 2010. Both of these higher debt figures, sanctioned by the Board in order to finance player investment for the incoming new management team, and the subsequent reduction in debt levels were planned as part of our maintenance of financial stability and the independence that comes with it.

With a significant investment in football personnel of £10.29m our commitment to achieving domestic success and meaningful participation in Europe remains. In previous Annual Reports I have stressed the need for Celtic to develop first class scouting and youth development to compensate for the lack of lucrative TV income. Our investments in developing these are now beginning to pay dividends. The depth of talent now within the squad demonstrates the strength of our scouting. Our youth development operation also continues to improve and will play an increasingly important role in helping to refresh the first team player pool.

Last season saw progress on the park. Full credit must go to Neil, Johan, Alan, Garry and the rest of the management team. They deservedly returned silverware in the Scottish Cup, and narrowly missed out in the League Cup Final. One point - indeed at the end of the day one goal - separated us from the League title and the double. Our shared disappointment is only partly mitigated by a recognition that 92 league points was our highest tally since season 2003/2004 and would have been sufficient to win the league in each season since 2005/2006.

And while we naturally concentrate on our first team fortunes, let's also remember the achievements of our younger players who are the seed corn of the future. The U-19s won their league and the Scottish Youth Cup Final, with the U17s winning the prestigious Glasgow Cup. 29 of our players in the 15 to 19 age groups are internationalists. The Girls' Academy has more than matched these successes, including victory in the Scottish Women's Football League Division One, championship and cup wins for other girls' teams and senior team success in the Premier League Cup and Football League Cup.

It's often said that Celtic is more than a Football Club. We must never lose sight of why the Club was founded. The Celtic Foundation acts as a vehicle to deliver our community programmes covering not only football coaching for children, youths and adults but running specialist projects with important social dimensions. These are at a higher level than at any time in the Foundation's history. The very ethos of the Club continues to flow strongly through that work.

Football at Celtic is many things, but being dull is not one of them. Events during the year, particularly off the field, started at a remarkable pace and after only the briefest of respites from terrible winter weather, accelerated into one of the most extraordinary series of occurrences in Scottish football for many years.

The first half of this year culminated in significant reform within the SFA being announced, with Scottish football clubs later unanimously approving proposals for improved transparency and accountability, and introducing a better and fairer framework for handling disputes and disciplinary matters. As a club which has been at the forefront of the movement for change we welcome these developments. Of course they will now have to be tested in practice, but we will continue to encourage and support the implementation of the reformed structures. Our Chief Executive's appointment to the Professional Game Board is testimony to our commitment in that direction.

The Scottish Premier League also continues to consider major restructuring, although an outcome from those deliberations is some way off. We should not under-estimate the challenges of developing a sustainable financial model for Scottish football; radical thinking is as appropriate here as it was for the SFA.

Issues over sectarianism, violence, domestic abuse and alcohol misuse continue to plague Scottish society and in the Spring of this year the Scottish Government and authorities sought football's help in tackling these problems. We have participated actively in the Joint Action Group process and hope that the significant time and effort we have devoted will bear a positive dividend in future, but there will be no quick fix or easy solution.

New legislation designed to outlaw offensive behaviour connected with football, and the sort of threatening communications that our manager was subjected to, is also likely to be introduced to supplement existing powers. We welcome the expressed intention of the Scottish Government and authorities to tackle extremes of behaviour, and the small minority who continue to tarnish the reputation of our country and our football but also wish to see that the new legislation and any action taken to enforce it is carefully considered, applied fairly and is a proportionate response to the seriousness of the problems encountered.

Against this backdrop I must acknowledge the remarkable strength and character of Neil Lennon. At Celtic our expectations of a manager are so high that it is easy to overlook just how challenging that job is. In his first full season as a manager Neil has succeeded in restoring a pride and passion to our play, showcasing emerging talent and uniting our supporters. To do that in any normal environment would be a major achievement but to have done it in the deplorable context of death threats, a physical assault and explosive devices, was nothing short of extraordinary. The commitment Neil and his family have shown this season, and that accorded to him by fans, is what makes this Club truly special. I thank you all.

As I hand over the Chairmanship at the AGM I must pay tribute to my fellow Directors for their support and guidance throughout my tenure here, and to the Club's employees, who work, largely unheralded and unsung to make sure that the experience of our team's football at Celtic Park and elsewhere remains a safe and enjoyable one. They have gone well beyond the call of duty and been unfailingly committed and courteous in the assistance they have provided.

And finally, to our fans. I have had occasion in the past to pay tribute to the uniqueness of Celtic supporters. Even as I write this year's Chairman's Statement, over 55,000 Celtic fans have turned out for a mid-week Charity Match to raise money for the victims of the East Africa Famine. Few other, if any, football clubs would have seen such a huge response. This year they have already contributed over £387,000 to charitable causes. Their support for the Club has been just as outstanding. Loyalty and Solidarity are not items that appear in the columns of our annual accounts. They do not show up on a balance sheet. But they are an invaluable asset, the very lifeblood of a club like Celtic. Last year our supporters came together, and stayed together through a period of immense controversy and difficulty. They were a source of unwavering support and inspiration to everyone at the Club, from the Boardroom to the Dressing Room. No one who was present at the last league game of the season, who saw the sheer determination, even in adversity, to celebrate being part of what Celtic is, can doubt that.

It has been my honour and privilege to have served you and this Club and to have chaired its Board over the last four years. I am confident that with a talented young team and manager, the guidance of highly experienced directors, and above all your continuing support, Celtic Football Club will continue to be a vibrant and unique football club.

Dr John Reid
Chairman

15 August 2011

INTRODUCTION

Whilst season 2010/11 was one of transition, there were encouraging signs of progress on the pitch. We won the Scottish Cup for the first time since 2007, but finished second in the Clydesdale Bank Premier League by one point, and lost in the final of the CIS Cup.

Neil Lennon was appointed interim manager in April 2010 and following eight successive SPL victories he was formally appointed Football Manager in July 2010 with a backroom staff comprising Alan Thompson, Johann Mjallby and Garry Parker. Though Celtic's early season domestic form was encouraging, results in Europe were disappointing and, following defeat by Utrecht, Celtic failed to qualify for the Europa League group stage.

In the long term we continue to aspire to participate in a more rewarding football environment, financially, commercially and competitively but our first priority is to succeed domestically and participate at the highest level in the existing European club competitions.

FOOTBALL INVESTMENT

Celtic wishes to return to the success achieved in prior years. It is therefore imperative that we attain domestic success and continue the process of restoring the Club as a credible force in Europe.

There were many changes to the playing squad during the 2010/11 season with £10.29m being invested in football personnel. The funds achieved from the sale of players, particularly homegrown players such as McGeady and McManus, together with the cash generated from trading, helped fund the acquisition of new players. A number of players were brought in bringing a blend of youth and experience to the squad, while a number of others progressed from the youth academy. In addition, a number of other first team and development squad members spent the season on loan to other clubs to gain valuable experience. The average age of the first team squad has reduced but we believe the quality of the squad has been enhanced.

Wage and transfer fee inflation at the highest level continues to rise. The gap with major European nations widens and thus the relative cost of attracting quality new players increases. As such, the emphasis on careful and patient use of our financial resources will continue to characterise our efforts to strengthen the first team squad and a number of initiatives continue to be progressed to that end.

The training facility at Lennoxton, which opened in October 2007, has provided Celtic with a Centre of Excellence for creating and developing Champions League quality players. The benefits of such a facility are self-evident and will help ensure that players are recruited and developed in the most efficient and cost-effective way possible. This approach to our business is reflected in the sizeable profits generated from the sale of players reported in recent years.

We are creating a world class scouting system, which will enhance player identification and recruitment at all levels including the introduction of more sophisticated player monitoring and assessment procedures. The expanded scouting team should yield dividends in the form of new players at a reasonable cost from the UK and abroad, which has been demonstrated recently with the acquisitions of Hooper, Izaguirre and Kayal amongst others.

We aim to employ and retain the highest quality coaches to ensure all players are given every opportunity to develop.

There has also been further investment in systems and resources to provide a comprehensive database and advanced performance analysis of existing players and new recruits. In addition, we have maintained our investment in the sports science and medical teams to ensure the best possible medical and nutritional advice.

Planned acquisitions and sales of player registrations and the development of younger players are integral parts of our longer-term strategy to control costs. The progress achieved in maintaining the base football labour costs at an acceptable level is planned to continue in the coming season.

FINANCIAL PERFORMANCE

Much of the football sector continues to struggle financially. A number of clubs remain heavily in debt and incurring ongoing losses. This was exacerbated in Scotland by the collapse of Setanta, resulting in a reduction in media values from the replacement agreements with Sky and ESPN. Conversely, the lucrative television deals secured by the English Premier League have resulted in higher transfer fees and wages in England.

In the year to 30 June 2011 turnover was £52.56m, which is a reduction of £9.16m, 14.80% against the previous year, having played 24 home matches in comparison to 27 in 2009/10. Much of this is due to the lack of progression in the Europa League together with reduced season ticket and merchandising revenues.

In the year to 30 June 2011 total operating expenses, excluding exceptional costs, reduced in comparison to the previous year by £4.75m, 8.30% to £52.50m. This is largely as a result of a reduction in labour costs, cost of sales, travel, advertising and match day costs from playing three fewer home matches.

Following the end of the season, a review of the playing squad was carried out which resulted in a write-down in the carrying value of a number of members of the first team squad. As a result exceptional operating expenses of £3.99m (2010: £3.14m) are reported in the year represented by £0.81m of labour costs and £3.18m in respect of impairment to intangible fixed assets. Further details of the impairment are provided in Note 16 to the Financial Statements.

As a result of the above, the Company achieved a retained profit for the year to 30 June 2011 of £0.10m which compares with the previous year's loss of £2.13m.

The initiative of heavily discounted season tickets for children has been continued to secure the Celtic support of the future and has been well received. In addition, Celtic will continue to benefit from its existing partner income streams from first class companies such as Nike, Tennents, Kitbag, MBNA and Thomas Cook.

FOOTBALL OPERATIONS

During season 2010/11 the Club played 52 competitive first team matches, winning 36, drawing 9 and losing 7.

The Scottish Premier League did not operate a Reserve league in season 2010/11. Given the above, it was decided that the first team player pool would incorporate players previously classified as reserve team players into a development squad. This provided the Club with an excellent opportunity to develop and train such players by organizing and playing matches with top sides in both England and Scotland on a regular basis, both home and away.

The Girls' Academy and women's senior teams are the most sought after female programme in the country for female footballers. The progress made has been outstanding with successes at all levels, including winning the Scottish Women's Football League Division One, and championship and cup successes for all our girls' teams. The latest successes for the senior teams have been winning the Premier League Cup and Football League Cup.

YOUTH ACADEMY

Season 2010/11 was the most successful in years for Celtic's Youth Academy.

Although most of our squads do not play in competitive football, we played for 3 domestic trophies, with the 19s winning the League before beating Rangers in the Scottish Youth Cup Final, and our 17s winning the Glasgow Cup, again beating our greatest rivals in the final. In addition, all of our squads from under 11s to under 17s performed exceptionally well in their respective development leagues.

The main stated aim is to produce players who are capable of playing at the highest level in the UEFA Champions League. Last season a number of young players made the progression from the Academy to the first team, most notably James Forrest. An indicator of our success is that we have currently 51 international players, 29 of those across the 15 to 19 age groups.

As we aim to develop players who can play at the highest level, it is important that we can measure ourselves against the best in Europe. All of our age groups have played in at least one European tournament against top class opposition, including Barcelona, Bayern Munich, Ajax, Milan and Spurs at various age groups. Last season we won the Aberdeen International Festival (17s), the Foyle Cup (15s) and our 14s won the ITEA Tournament in Belgium.

TICKET SALES

Season 2010/2011 was once again a challenging season for ticket sales, although there was a measure of success with approximately 42,500 standard season tickets sold for a value of circa £13.6m.

Match ticket sales of over 166,000 generated an income of over £3.5m, which included three domestic cup-ties contested against Rangers.

CELTIC DEVELOPMENT

Around £680,000 was donated to Celtic Football Club's Development Division from Celtic Development Pools for the purposes of youth development, whilst supporters from all over the country won approximately £800,000 in prize money.

The weekly Celtic Pool lottery continues to out perform most football club and charitable lottery products in this challenging environment, continuing the substantial donation again this year. We are grateful to the Directors and staff of that organisation for their continued support.

The Paradise Windfall match day lottery continues to be very popular, with a top prize of £15,000 on offer this new season. Prize money of approximately £2.4 million has now been paid out to Celtic supporters on the pitch at Celtic Park since the start of the Windfall in 1995.

CELTIC FOUNDATION

The Celtic Foundation continues to support the Club's social dimension linked to the reasons Brother Walfrid founded Celtic in 1888.

The Celtic Foundation continues to integrate a number of very successful project areas with new business ideas and incorporates the following key strands:

- Working with Celtic Charity Fund
- Celtic learning programmes and the Celtic Learning Centre
- Football in the community and community coaching programmes in both domestic and international markets
- A Community Academy aimed at children, youths and adults
- Celtic girls' community programme and Girls' Academy
- Celtic women's First Team and Reserves
- 'Sport for Life' programmes

The Club is also delighted to have the support of Billy Connolly as Patron of the Celtic Foundation and Elaine C. Smith as Patron on the Celtic women's and girls' programme.

In addition the Foundation has a number of specialist projects which focus on:

- Health and wellbeing
- Education
- Social inclusion
- Unemployment

The Celtic Foundation has again demonstrated through a number of project evaluations (internal and external) its ability to deliver improvement whilst tackling the social inequalities which children, youths and adults encounter in Glasgow.

The acknowledgement and endorsements made by our partners is testament to the work the Foundation is doing.

Celtic is fully committed to the continuation of The Celtic Foundation and its charitable, educational and community work and has invested substantially in the infrastructure and programme delivery. The Celtic Foundation plays a key role in the Club's social dimension and ethos. In fact, over the past twelve months the Club has been involved in more charitable, educational community activities than at any time in its history.

MERCHANDISING

Merchandising revenue for the year reached £14.33m, 7.5% down on the previous year mainly due to the challenging economic conditions and the production difficulties encountered with the launch of the new home kit. Home and Away kits were launched at the start of the year and a Third kit was launched in June 2011. A new Away kit is planned to be launched in August 2011.

The Young Hoops fan club aimed at children up to the age of 14 continues to be a success, building a strong fan base for the future. In season 2010/11 membership numbers were up 6% on the prior year.

We continue to expand our Heritage clothing range which incorporates more subtle branding and this has proven to be a big success this year.

The Glasgow Airport store will relocate to a new high profile land-side position in August 2011.

MULTI MEDIA

Channel 67 is being re-launched in 2011 as Celtic TV. The new service will offer supporter interaction and will be multi-platform, making it available on many portable devices and Apple Mac computers.

The official Club website, Celticfc.net, was re-launched last autumn, offering more functionality to supporters. The Club also launched an official Facebook page in January and has over a hundred thousand 'likes' to date.

PUBLIC RELATIONS

Once again, the Club experienced a high level of media interest and activity throughout the year across domestic and European football.

The Club's PR Department continued to achieve and manage a substantial level of high profile media coverage for a range of Club activities at a national level in 2010/11, including commercial, charitable and community events.

The PR Department also acts as an important liaison between the Club and supporters' organisations, assisting with supporter enquiries and requirements.

In addition, the Department liaises directly with a number of organisations to ensure that through a range of initiatives the Club upholds its important social dimension.

BRAND PROTECTION

The Club continued to protect the Celtic brand worldwide to prevent unauthorised use by third parties, to ensure that the brand remains a valuable Club asset and to protect our supporters from substandard goods and services.

Last season alone, the availability of counterfeit goods to the value of approximately £6m was disrupted and a number of websites found to be offering unofficial Celtic goods and services removed.

The Club will continue to work closely with key partners including NIKE, to protect the value and global profile of the Celtic brand, as well as the interests of our supporters.

PARTNER PROGRAMME

After 7 years with Carling, the Club appointed Tennent's as shirt sponsor until the end of season 2013/14. We have had a strong first year with promotions centred around a 'Could Have Been a Player' marketing campaign, which the brand is keen to grow going forward.

We also welcomed Audi to the Club in season 2010/11 with Lomond Audi as the Club's new car supplier and sponsor. This agreement will continue for season 2011/12.

The Club was able to conclude an agreement with Irish Betting Exchange, Betdaq, for seasons 2010/11 and 2011/12 as our online betting partner, and we have completed a sponsorship agreement with Super Engage to participate in a new competitions-based website - isuperfan.com - which offers prizes for fans.

The Club secured an agreement with Sports Revolution to become an advertising partner on a 2-year term. Primarily this will focus on LED advertising and additional in-stadia locations.

In an exciting departure, the Club secured a 3-year agreement with the Mahindra Group to assist them with the implementation of a grassroots football tournament across India. The first year of the tournament is due to conclude in August with 3 young Indian players coming to Glasgow for a week-long Academy experience. Initial feedback from Mahindra has been excellent and both parties are looking to grow on the initial success.

The Club has entered into a co-operation arrangement with Mexican premier league team Santos Laguna whereby both parties will work together to identify mutual football and commercial opportunities. The commercial activity is likely to centre around North America.

The sponsorship environment remains extremely tough as the on-going economic difficulties impact upon companies' advertising and marketing budgets. However, the Club has begun to see some encouraging signs for the forthcoming season with several new agreements for the start of season 2011/12 concluded recently. This includes a partnership with Innovation Communications to create a Celtic mobile phone offering and an agreement with 888Poker. The Club will continue to pursue partners domestically and internationally to enhance revenues for the Club and provide good affinity products for our supporters.

STADIUM

During the course of the year, Celtic continued to enhance the close liaison and valuable partnership working with Glasgow City Council Safety Team for Sports Grounds.

The training of colleagues responsible for public safety duties continued to be developed. In addition to those responsible for the management of spectator safety being fully qualified and accredited in compliance with the Guide to Safety at Sports Grounds, the training of safety stewards continued to be prioritised. Protectevent stewards now participate in an accredited training programme leading to an SVQ Level 2 in Event Stewarding. In addition, the Club continued to provide an input to the Match Commanders' training programme, held at the Scottish Police College and remain heavily involved with the work of the Football Safety Officers Association Scotland.

During the year, the Club was required to meet significant and unique challenges regarding threats to the safety of our Manager and individual players. This situation was managed with the close working relationship developed with Strathclyde Police and other key partners. The professionalism and support provided by Strathclyde Police during this period was of the highest standard and worthy of recognition.

The Club will continue to place the safety of our supporters, staff and players as our highest priority.

FACILITIES

The Facilities department managed to control costs effectively without compromising high standards throughout the stadium. Activities included major roof repairs, installation and upgrade of fire protection systems, repairs to the surface of the stadium car park and external footprint and decoration of concourse areas. Continued streamlining of procedures has resulted in significant improvements in efficiency and cost reduction and the introduction of enhanced procedural controls.

With an Information, Communications and Technology infrastructure in place, 2010/11 presented an opportunity to review contracts, systems, infrastructure and costs to ensure value for money. This resulted in significant ongoing savings and efficiencies whilst ensuring consistent levels of services.

During one of the worst winters for years, our Grounds Staff managed to maintain a high quality playing surface, aided by our SGL grass growing lighting system. Construction of a new training pitch at Lennoxtown went to schedule, within budget and is now in use. In November, our Head Groundsman John Hayes and his team received recognition awards for Turf Professional of the year and SPL Pitch of the Year.

CATERING AND CORPORATE HOSPITALITY

Corporate Hospitality performed very well and Celtic achieved special recognition at the official national football hospitality awards where we were overall winner for match day experience in Britain and retained the award of overall winner for Scotland.

Visitor Centre business was affected by the adverse weather conditions during the winter, though latterly there has been a significant improvement in numbers and we continue to attract visitors from all over the world.

SUPPORTER RELATIONS

Our Customer Relationship Management (CRM) system continues to bring supporter information from many different business areas into one database, and is used to support both the Club's marketing activities and those of our sponsors in a targeted, cost-effective manner.

Liaison with the Club's supporters groups continued throughout the year with regular communications issued by the Club and a number of roadshows held in various locations throughout the UK and Ireland with the football manager.

The number of supporters' details held in the database has continued to grow, with a 22% increase in contacts over the year.

We continue to look for ways in which the CRM system can be developed to make further use of the functionality available, such as online surveys to provide additional information to assist managers across the business, whilst ensuring value for money is being obtained.

CELTIC CHARITY FUND

Celtic Charity Fund again enjoyed a highly successful year, raising hundreds of thousands of pounds for a range of worthy causes. Fundraising activities included the Club Couture Fashion Show, a Charity Abseil, the Celtic Charity Cup, 'Hoops in Your Heart' Badge Day and our Annual Sporting Dinner.

The Charity Fund's total financial contribution to charitable causes in 2010/11 was £378,671.

HUMAN RESOURCES

Despite a difficult economic climate, we remain committed to being an employer of choice. We continue to invest in training and development and last year launched a self-learning portal for Celtic managers and colleagues. Remuneration and benefits are regularly reviewed and benchmarked, and employee welfare remains an important consideration. Recruitment and induction processes continue to be refined and improved, whilst all Celtic colleagues have access to a free Employee Assistance Programme and a comprehensive voluntary benefits package. In the last 12 months these benefits have been enhanced by the inclusion of childcare vouchers.

In August 2010 we conducted an employee opinions survey, which provided some very useful feedback. This enabled us to implement a comprehensive plan of action designed to improve employee engagement.

In December 2010 we were re-assessed by Investors in People Scotland and successfully retained our prestigious accreditation. Celtic remains the only Scottish Premier League club to hold this award, having originally been recognised in 2007.

In February 2011 Celtic was again awarded the "Positive about Disabled People" symbol by Job Centre Plus for the sixth successive year, reflecting the fact that we continue to meet our commitments to colleagues and job applicants with a disability.

Celtic also continues to hold "Tommy's" accreditation, which is recognition of the Company's good-practice policies in respect of pregnant employees.

Another 32 pupils from local schools enjoyed a week of structured work experience at Celtic Park during the year. This is a highly successful ongoing programme, which has received plaudits from pupils, parents and the education authorities.

Celtic has also participated in the Future Jobs Fund initiative, promoted by the Scottish Premier League, and has provided temporary employment opportunities to nearly 100 people during the financial year, some of whom have already secured permanent roles.

The hard work and contribution of all colleagues in another busy and difficult year is greatly appreciated.

SUMMARY AND OUTLOOK

Results on the pitch continue to be the major influence on trading performance. Our failure to recapture the Scottish Premier League title last year, and its impact on European qualification, again had a detrimental effect on our performance in 2010/11. Nevertheless, sensible cost management and effective financial controls, in addition to the gains reported from the disposal of player registrations, mitigated the negative impact, resulting in reasonable financial results.

Revenues generated by progress in European competitions remain of major significance and provide greater flexibility when considering player investment.

Our 5 Year Plan recognises the need to compete successfully in the Scottish Premier League, the winners of which in 2011/12 will gain entry to qualifying game 3 for the group stage of the 2012/13 UEFA Champions League.

Overall the key Company objective remains football success, as this will greatly assist revenue generation. However the funding of that success must clearly recognise the financial constraints applicable to the organisation, particularly as Celtic continues to play in the Scottish football environment and the challenges that such an environment present. The development of a greater number of internally generated players through continued investment in youth development and scouting facilities will assist in addressing such issues. As a result the profitable sale of player registrations is important in addition to any incremental contribution from European progression.

Once again, the biggest challenge facing the Board is the management of salary and transfer costs whilst achieving playing success in order to yield satisfactory financial results. Clearly, European progression remains key in enabling the Club to achieve its financial objectives.

Peter Lawwell
Chief Executive

15 August 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2011			2010		
		Operations excluding intangible asset trading £000	Intangible asset trading £000	Total £000	Operations excluding intangible asset trading £000	Intangible asset trading £000	Total £000
Continuing operations:							
Revenue	2	52,557	-	52,557	61,715	-	61,715
Operating expenses (excluding exceptional operating expenses)	2	(52,501)	-	(52,501)	(57,254)	-	(57,254)
Profit from trading before asset transactions and exceptional items		56	-	56	4,461	-	4,461
Exceptional operating expenses	3	(809)	(3,181)	(3,990)	(1,718)	(1,422)	(3,140)
Amortisation of intangible assets		-	(8,155)	(8,155)	-	(8,350)	(8,350)
Profit on disposal of intangible assets		-	13,228	13,228	-	5,712	5,712
Loss on disposal of property, plant and equipment		(314)	-	(314)	(100)	-	(100)
Operating (loss) / profit		(1,067)	1,892	825	2,643	(4,060)	(1,417)
Finance costs:							
Bank loans and overdrafts				(179)			(170)
Convertible Cumulative Preference Shares	4			(544)			(544)
Profit / (Loss) before tax				102			(2,131)
Income tax expense	5			-			-
Profit / (Loss) and total comprehensive income for the year				102			(2,131)
Profit / (Loss) attributable to equity holders of the parent				102			(2,131)
Total comprehensive income attributable to equity holders of the parent				102			(2,131)
Basic earnings / (loss) per Ordinary Share for continuing operations	6			0.11p			(2.37p)
Diluted earnings / (loss) per share for continuing operations	6			0.47p			(1.17p)

CONSOLIDATED BALANCE SHEET

	Notes	2011 £000	2010 £000
Assets			
Non-current assets			
Property, plant and equipment		54,357	55,854
Intangible assets		10,364	13,769
		<u>64,721</u>	<u>69,623</u>
Current assets			
Inventories		2,250	1,775
Trade and other receivables		5,837	6,845
Cash and cash equivalents		10,818	5,867
		<u>18,905</u>	<u>14,487</u>

Total assets	<u>83,626</u>	<u>84,110</u>
Equity		
Issued share capital	24,264	24,246
Share premium	14,399	14,359
Other reserve	21,222	21,222
Capital reserve	2,629	2,646
Accumulated losses	<u>(22,511)</u>	<u>(22,613)</u>
Total equity	<u>40,003</u>	<u>39,860</u>
Non-current liabilities		
Interest-bearing liabilities/bank loans	10,968	11,344
Debt element of Convertible Cumulative Preference Shares	4,438	4,438
Deferred income	<u>142</u>	<u>183</u>
	<u>15,548</u>	<u>15,965</u>
Current liabilities		
Trade and other payables	15,815	15,978
Current borrowings	506	511
Deferred income	<u>11,754</u>	<u>11,796</u>
	<u>28,075</u>	<u>28,285</u>
Total liabilities	<u>43,623</u>	<u>44,250</u>
Total equity and liabilities	<u>83,626</u>	<u>84,110</u>

Approved by the Board on 15 August 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share capital £000	Share premium £000	Other reserve £000	Capital reserve £000	Retained earnings £000	Total £000
Equity shareholders' funds as at 1 July 2009	24,204	14,309	21,222	2,686	(20,482)	(41,939)
Share capital issued	2	50	-	-	-	52
Transfer from capital reserve	40	-	-	(40)	-	-
Loss for the period	-	-	-	-	(2,131)	(2,131)
Equity shareholders' funds as at 30 June 2010	24,246	14,359	21,222	2,646	(22,613)	39,860
Share capital issued	1	40	-	-	-	41
Transfer from capital reserve	17	-	-	(17)	-	-
Profit for the period	-	-	-	-	102	102
Equity shareholders' funds as at 30 June 2011	24,264	14,399	21,222	2,629	22,511	40,003

CONSOLIDATED CASH FLOW STATEMENT

	Note	2011 £000	2010 £000
Cash flows from operating activities			
Profit / (loss) for the year		102	(2,131)
Depreciation		2,077	1,986
Amortisation of intangible assets		8,155	8,350
Impairment of intangible assets		3,181	1,422
Profit on disposal of intangible assets		(13,228)	(5,712)
Loss on disposal of property, plant and equipment		314	100
Finance costs		723	714
Sub total		<u>1,324</u>	<u>4,729</u>
(Increase) / decrease in inventories		(475)	245
(Increase) / decrease in receivables		(668)	1,081
Decrease in payables and deferred income		(135)	(2,611)
Cash generated from operations		<u>46</u>	<u>3,444</u>
Interest paid		(179)	(170)
<i>Net cash flow from operating activities - A</i>		<u>(133)</u>	<u>3,274</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(807)	(1,208)
Purchase of intangible assets		(10,491)	(10,330)
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of intangible assets		17,267	4,421
<i>Net cash generated / (used) in investing activities - B</i>		<u>5,969</u>	<u>(7,117)</u>
Cash flows from financing activities			
Repayment of debt		(382)	(286)
Dividends paid		(503)	(493)
<i>Net cash used in financing activities - C</i>		<u>(885)</u>	<u>(779)</u>
Net increase / (decrease) in cash equivalents A+B+C		4,951	(4,622)
Cash and cash equivalents at 1 July		5,867	10,489
Cash and cash equivalents at 30 June		<u>10,818</u>	<u>5,867</u>

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These Financial Statements have been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies have been consistently applied to both years presented.

2. REVENUE AND OPERATING EXPENSES

	2011 £000	2010 £000
REVENUE		
The Group's revenue comprised:		
Football and Stadium Operations	30,986	35,507
Merchandising	14,330	15,496
Multimedia and Other Commercial Activities	<u>7,241</u>	<u>10,712</u>
	<u>52,557</u>	<u>61,715</u>
OPERATING EXPENSES		
The Group's operating expenses comprised:		
Football and Stadium Operations (excluding exceptional items and asset transactions)	40,838	45,381
Exceptional items and asset transactions:	809	-
Early termination of employment contracts	-	1,718
Impairment of intangible assets	3,181	1,422
Amortisation of intangible assets	8,155	8,350
Profit on disposal of intangible assets	(13,228)	(5,712)
Loss/(profit) on disposal of property, plant and equipment	<u>314</u>	<u>100</u>
Total Football and Stadium Operations	40,069	51,259
Merchandising	9,717	9,951
Multimedia and Other Commercial Activities	1,946	1,922
	<u>51,732</u>	<u>63,132</u>

3. EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses of £3.99m (2010: £3.14m) can be analysed as follows:

	2011 £000	2010 £000
Exceptional operating expenses comprised		
Impairment of intangible assets	3,181	1,422
Compromise payments on contract termination	(428)	1,703
Onerous contract costs	1,237	-
Ancillary direct costs	-	15
	<u>3,990</u>	<u>3,140</u>

4. DIVIDENDS

A 6% (before tax credit deduction) non-equity dividend of £0.54m (2010: £0.54m) is payable on 31 August 2011 to those holders of Convertible Cumulative Preference Shares on the share register at 29 July 2011. On 31 August 2007 the entitlement to a dividend on the Convertible Preferred Ordinary Shares ceased. A number of shareholders have elected to participate in the Company's scrip dividend reinvestment scheme for this financial year. Those shareholders will receive new Ordinary Shares in lieu of cash. The implementation of the presentational aspects of IAS32 ("Financial Instruments: disclosure") in the preparation of the annual results, requires that the Group's Preference Shares and Convertible Preferred Ordinary Shares, as compound financial instruments, are classified as a combination of debt and equity and the attributable non-equity dividends are classified as finance costs. No dividends were payable or proposed to be payable on the Company's Ordinary Shares.

5. TAXATION

No provision for corporation tax or deferred tax is required in respect of the year ended 30 June 2011. Estimated tax losses available for set-off against future trading profits amount to approximately £27m (2010: £26m) and, in addition, the available capital allowances pool is approximately £14.55m (2010: £17.10m). These estimates are subject to the agreement of the current and prior years' corporation tax computations with HM Revenue and Customs.

6. EARNINGS PER SHARE

	2011 £000	2010 £000
Reconciliation of earnings / (loss) to basic earnings / (loss):		
Net earnings / (loss) attributable to equity holders of the parent	102	(2,131)
Basic earnings / (loss)	<u>102</u>	<u>(2,131)</u>
Reconciliation of basic (loss) / earnings to diluted (loss) / earnings:		
Basic (loss) / earnings	102	(2,131)
Non-equity share dividend	544	544

Diluted (loss) / earnings	<u>646</u>	<u>(1,587)</u>
	No.'000	No.'000
Reconciliation of basic weighted average number of ordinary shares to diluted weighted average number of ordinary shares:		
Basic weighted average number of ordinary shares	90,069	89,873
Dilutive effect of convertible shares	<u>46,150</u>	<u>46,257</u>
Diluted weighted average number of ordinary shares	<u>136,219</u>	<u>136,130</u>

Earnings per share has been calculated by dividing the profit for the period of £0.10m (2010: £2.13m loss) by the weighted average number of Ordinary Shares of 90.07m (2010: 89.87m) in issue during the year. Diluted earnings per share as at 30 June 2011 has been calculated by dividing the profit for the period by the weighted average number of Ordinary Shares, Preference Shares and Convertible Preferred Ordinary Shares in issue, assuming conversion at the balance sheet date, and the full exercise of outstanding share purchase options, if dilutive, in accordance with IAS33 Earnings Per Share. As at June 2011 and June 2010 no account was taken of potential share purchase options, as these potential Ordinary Shares were not considered to be dilutive under the definitions of the applicable accounting standards.

7. ANNUAL REPORT & ACCOUNTS

Copies of the Annual Report & Accounts together with the Notice and Notes of the 2011 AGM will be issued to all shareholders in due course.

The financial information set out above was approved by the directors on 15 August 2011 and does not constitute the Company's statutory accounts for the years ended 30 June 2011 or 30 June 2010. The auditors' opinion on the 2011 statutory accounts is unmodified and does not include a statement under Sections 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2010 have been filed and those for 2011 will be delivered to the Registrar of Companies in due course.

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